

GENERAL AGREEMENT
ON TARIFFS AND
TRADE

ACCORD GENERAL SUR
LES TARIFS DOUANIERS
ET LE COMMERCE

CONFIDENTIAL

TEX.SB/485

10 December 1979

Textiles Surveillance Body

Organe de surveillance des textiles

ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES

Article 4:4 Notification

Bilateral Agreement between Canada and Sri Lanka

Note by the Chairman

The attached communication received from Canada refers to a notification of a new bilateral agreement which has been concluded under Article 4 of the Arrangement, between Canada and Sri Lanka, for a two and a half year period starting 1 July, 1979 and ending on 31 December 1981. Also included is the short reasoned statement.

ARRANGEMENT CONCERNANT LE COMMERCE INTERNATIONAL DES TEXTILES

Notification conformément à l'article 4, paragraphe 4

Accord bilatéral entre le Canada et Sri Lanka


Note du Président

Le Canada a fait parvenir au secrétariat la notification ci-jointe relative à un nouvel accord bilatéral conclu entre le Canada et Sri Lanka au titre de l'article 4 de l'Arrangement pour la période de deux ans et demi commençant le 1er juillet 1979 et se terminant le 31 décembre 1981. On trouvera également ci-joint un bref exposé des motifs de cet accord.

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The Permanent Mission
to the United Nations

ANSWERED	DOC. ISSUED	FOLIO
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The Permanent Mission of Canada		
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Conf. Div.		
Public Relations		
Interv.		
Training Prog.		

La Mission Permanente du Canada
aupres des Nations Unies

10 A, avenue de Budé
1202 Geneva

November 22, 1979

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Dear Ambassador Wurth,

With reference to paragraph 4 of Article 4 of the Arrangement Regarding International Trade in Textiles (hereinafter referred to as the ITA), done at Geneva on 20 December 1973 and to the Protocol extending the ITA, done at Geneva 14 December 1977, I have the honour to notify the Textile Surveillance Body of the conclusion of a two and one half year bilateral arrangement between the Government of Canada and the Government of the Democratic Socialist Republic of Sri Lanka.

This bilateral arrangement was concluded taking into account the particular circumstances in the Canadian clothing market and the status of Sri Lanka as a new entrant to that market. Thus the restraint levels negotiated reflect a substantial improvement over historic levels and should facilitate development of Sri Lanka's export trade in garments to Canada.

The coverage of the arrangement relates to clothing products which fall within the scope of the ITA. The arrangement covers only two commodities, shirts with tailored-collars for men and boys, and jackets for all genders. Provision is made for significant growth in accordance with ITA guidelines and for flexibility. Growth rates of 6% and 10% for shirts and jackets respectively are established. The arrangement provides for up to 7% swing between the two restrained items; in addition, swing from adults' to children's sizes on a 3 to 5 ratio is included. Carry-over and borrow-forward combined may total 11%.

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H.E. Ambassador Paul Wurth
Chairman, Textile Surveillance Body
GATT
Centre William-Rappard
154, rue de Lausanne
1211 Geneva

The arrangement also provides for consultations, exchange of statistics, revisions and termination, and allows for exemption from restraint for certain hand-loom and authentic batik products. It became effective July 1, 1979 and, as is presently written, will continue until December 31, 1981.

The parties to this bilateral arrangement consider it to be in keeping with provisions of the ITA. As such, it complements the liberalization of the Canadian textile and clothing import programme. It assists in ensuring that real risk of disruption in the Canadian clothing market is avoided and helps in enabling orderly development of world trade.

Accept, Sir, the renewed assurances of my highest consideration.



D.S. McPhail
Ambassador and
Permanent Representative

MEMORANDUM OF UNDERSTANDING

BETWEEN

THE GOVERNMENT OF CANADA

AND

THE GOVERNMENT OF THE DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA

RELATING TO THE EXPORT FROM SRI LANKA

OF CERTAIN TEXTILE PRODUCTS

FOR IMPORT INTO CANADA

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MEMORANDUM OF UNDERSTANDING

INTRODUCTION

1. This Memorandum of Understanding (MOU) sets out the arrangement that has been agreed between the Government of Canada as represented by the Department of Industry, Trade and Commerce (hereinafter referred to as the Canadian authority) and the Government of the Democratic Socialist Republic of Sri Lanka as represented by the Department of Commerce (hereinafter referred to as the Sri Lankan authority) regarding the export of certain clothing products from Sri Lanka for import into Canada.

2. This arrangement has been made having regard to the Arrangement Regarding International Trade in Textiles (hereinafter referred to as "the ITA") and in particular to Article 4 thereof, and to the protocol extending the said Arrangement.

COVERAGE AND RESTRAINT LIMITS

3. During the time this arrangement is in force both of the parties agree that the export of the clothing products set out in Annex A to this MOU from Sri Lanka to Canada will be executed by the Sri Lankan authority within the mutually agreed quantitative limits.

4. For the purposes of classifying clothing products in the appropriate category, the definitions and notes set out in Annex A should apply.

RESTRAINT PERIODS

5. This arrangement shall be effective for 2½ calendar years starting on the 1st of July 1979 and ending on the 31st of December 1981. In this arrangement, there shall be two restraint periods, the first, eighteen months and the second, twelve months.

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ADMINISTRATION

6. The parties agree that the quantitative limits established under this arrangement will be managed under a system of control, the details of which are set out in Annex B to this arrangement.

SWING

7. Subject to the specific limitations set out in Annex A, any quantitative limit shown therein may be exceeded by the percentage shown in column (e) thereof provided that an equivalent amount is deducted from any other quantitative limit shown therein.

8. For the purpose of implementing these swing provisions the conversion factors shown in column (d) of Annex A shall apply.

CARRYOVER - BORROW/FORWARD

9. Following notification to the Canadian authority of the quantities involved, portions of any quantitative limit set out in Annex A which are not used during any restraint period may be carried over and added to the corresponding quantitative limit for the following restraint period within the higher percentage limit set out in column (f) of the Annex.

10. Any quantitative limit may be increased within the lower percentage limit set out in column (f) of Annex A by an amount advanced from the corresponding quantitative limit for the following restraint period. The quantitative limit for the following restraint period shall be reduced by an amount equal to the amount so advanced.

11. Notwithstanding the foregoing, the carryover and borrow-forward provisions may be used in combination only up to the higher percentage limit set out in column (f) of Annex A.

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EXCHANGE OF STATISTICS

12. The two parties agree to exchange all useful information concerning their mutual trade in clothing in order to ensure the successful implementation of this arrangement.

13. The Sri Lankan authority agrees to furnish the Canadian authority with precise statistical information, on a quarterly basis, of all export licences issued by them for all categories of clothing product exports to which this arrangement applies.

CONCENTRATION

14. The Sri Lankan authority shall endeavour to space out as evenly as possible over each of the restraint periods the exports of all clothing products for which quantitative limits may be established under this arrangement, due account being taken of seasonal factors.

CONSULTATION

15. Each party agrees at the request of the other party to enter promptly into consultations with each other on any problems arising from the application of this arrangement.

16. Further, in view of the desire of both parties to avoid, on the one hand, real risks of market disruption in Canada and, on the other hand, disruption to the clothing trade of Sri Lanka, and having full regard to the need for equitable treatment of participating countries in the ITA, the following specific consultation procedures shall apply to the trade in clothing or textile products not specifically provided for in this arrangement.

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17. The Canadian authority may request consultations with the Sri Lankan authority with a view to reaching agreement on an appropriate level of restraint for any clothing or textile products not specifically provided for in this arrangement whenever, in the view of the Canadian authority, conditions in the Canadian market are such that a limitation on further trade in any such clothing or textile products may be necessary to eliminate real risk of market disruption.

18. The Sri Lankan authority shall respond within a period of 60 days to such a request for consultations.

EQUITY

19. If, having regard to the provisions of the ITA, either party considers that it is being placed in an inequitable position in respect of trade in clothing products as compared with a third country, that party may seek consultations with the other with a view to taking appropriate remedial action.

REVISIONS AND TERMINATION

20. Either party may at any time propose modifications to this arrangement or terminate it provided that notice of such proposal of termination is given to the other party at least 90 days before the expiry of any restraint period of this arrangement; in the event of a notice to terminate, the arrangement will come to an end at the expiry of the restraint period in which the notice is given.

HANDMADE PRODUCTS

21. With reference to Article 12(3) of the ITA, this arrangement shall not apply to bona fide handmade clothing of hand-

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loomed fabric as defined in Annex C or to bona fide batik fabrics or clothing products as defined in Annex D, when accompanied on importation by a certificate validated by the competent Sri Lankan authorities. A sample certificate is contained in Annex C and Annex D.

22. Either Government may request consultations in respect to any aspect of the trade in such handloom products whenever it considers such consultations necessary. Consultations will begin within sixty days of the request of such consultations with a view to reaching a mutually acceptable conclusion within one month at the latest.

FINAL PROVISIONS

23. Annexes A, B, C and D to this arrangement and letters of exchange between the two parties shall form an integral part thereof.

24. This Memorandum of Understanding will become effective on an exchange of notes between the two Governments confirming their acceptance of this arrangement and will apply for the period July 1, 1979 to December 31, 1981.

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ANNEX A

(b) Description of Product	(c) Restraint Level	(d) Conversion Factor	(e) Swing	(f) Carryover/ Borrow Forward
<p>1. <u>Shirts with tailored collars</u>, men's and boys', wholly or mainly by weight of cotton, man-made fibres or wool, or blends thereof, knitted or woven, being garments covering the upper part of the body normally worn next to the skin or directly over underwear and with a full or partial front opening which may include a zipper. Included are all men's and boys' shirts meeting this description whether exported separately or as part of a set.</p> <p><u>Footnotes:</u></p> <p>(1) A "tailored collar" consists of one or more pieces of material which are cut and sewn or cut and fused and designed with two pointed or rounded ends.</p>	<p>July 1, 1979 to December 31, 1980 459,000 units</p> <p>January 1, 1981 to December 31, 1981 325,000 units</p>	2.10	7 %	11% (6%)

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ANNEX A

(a) Item No.	(b) Description of Product	(c) Restraint Level	(d) Conversion Factor	(e) Swing	(f) Carryover/ Borrow Forward
	<p>Jackets, men's, boys', women's, girls', children's and infants', wholly or mainly by weight of cotton, man-made fibres, or wool, or blends thereof. Jackets are outerwear garments covering the upper part of the body not extending to the knee, including woven ponchos, vests, boleros.</p>	<p>July 1, 1979 to December 31, 1980 465,000 units</p> <p>January 1, 1981 to December 31, 1981 341,000 units</p>	<p align="center">3.50</p>	<p align="center">7%</p>	<p align="center">11.5 (6%)</p>

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ANNEX A

Explanatory Notes

1. Partially manufactured garments, i.e. garments which have been cut and sewn, or otherwise assembled, but which require further manufacture or processing, are also included in all the foregoing items, and are to be counted against the item number of the end product.
2. Garments of indeterminate gender, including unisex garments, are to be counted as of male gender.
3. Swing is permitted from Adults' sizes to Children's and Infants' sizes (0-6X) at a 3 to 5 ratio.
4. The restraint limits in column c may not be increased by more than 15% by the combined use of swing, carryover and borrowforward.

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ANNEX B

AGREED DETAILS OF CONTROL SYSTEM

As agreed between the parties to this arrangement, the administration of exports from Sri Lanka and imports into Canada of those clothing products set out in Annex A will be based on a system of control applied by the Sri Lankan authority and the Canadian authority. The details of the said system of control are set out below.

The Canadian authority will accept imports of clothing products referred to above on submission of the importer's application together with a certified copy of the export licence issued by the Sri Lankan authority.

All shipments valued at less than \$250 (Canadian) f.o.b. do not require an export licence.

The export licences issued by the Sri Lankan authority in respect of products subject to restraint under this arrangement shall specify and contain :

1. destination
2. serial number
3. importer's name and address
4. exporter's name and address
5. category and description of product
6. quantity in the units as designated in the arrangement.
7. certification by the Sri Lankan authority that the quantity has been debited against the agreed ceiling for exports to Canada.

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The Canadian authority will not raise difficulties in the event of a discrepancy between the units indicated in the export licence and the shipment or import units provided it is within reasonable limits.

The Canadian authority will deny entry to any shipment if any discrepancy exists between the actual product received and the product indicated on the export licence.

In the event of total or partial withdrawal of an export licence, the Sri Lankan authority will notify the Canadian authorities of such total or partial withdrawal. The Canadian authority will take the appropriate measures in accordance with existing administrative provisions.

The Sri Lankan authority will supply the Canadian authority with the periodic returns provided for in Article 13 of this arrangement showing the details referred to in (5) and (6) above, covered by the export licences issued against the quantitative limits for exports to Canada for all categories of clothing exported to Canada.

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ANNEX C

1. The exemption provided for in paragraph 21 of this MOU in respect of cottage industry products shall apply only to the following products :

- a) garments or other textile articles of a kind traditionally made in the cottage industry, having been cut, sewn and embroidered if applicable solely by hand from handloom textile fabrics without the aid of any machine. Handloom textile fabrics are fabrics which have been woven on looms operated solely by hand or foot and are of a kind traditionally made in the cottage industry.

2. The exemption shall apply only in respect of products covered by a certificate issued by the competent Sri Lankan authorities conforming to the specimen attached to this Annex.

3. Such certificates shall indicate the grounds on which the exemption is based and shall be accepted by Canadian authorities provided that they are satisfied that the products concerned conform to the conditions set out in this Annex.

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1. Exporter (name, full address)	CERTIFICATE in regard to HANDLOOMS, TEXTILE HANDICRAFTS and TRADITIONAL TEXTILE PRODUCTS OF THE COTTAGE INDUSTRY	
3. Importer (name, full address)		
6. Place and date of shipment—Means of transport	7. Supplementary details	
+ 8. Marks and numbers—Number and kind of packages— DESCRIPTION OF GOODS	9. Quantity	10. FOB Value

Certification by the competent authority

I, the undersigned, certify that the consignment described above includes only the following textile products of the cottage industry of the country shown in box No.4:

- handloom textile fabrics, being fabrics woven on looms operated solely by hand or foot of a kind traditionally made in the cottage industry.
- garments or other textile articles, of a kind traditionally made in the cottage industry, having been cut, sewn and embroidered, if applicable, solely by hand from handloom textile fabrics as described above without the aid of any machine

Competent authority (name, full address, country)

At _____, On _____

Handwritten mark

Handwritten mark

BATIK FABRICS AND PRODUCTS

1. The exemption provided for in paragraph 21 of this MOU in respect of batik fabrics and clothing products shall apply only to items in which the batik fabric is produced by the traditional handicraft batik process. This process involves the following three operations, carried out by hand, for each of the colours or shades applied to the fabric :
 - (a) Waxing. (Application of wax by hand to the fabric).
 - (b) Dyeing/Painting. (Application of colour either by the traditional cottage method of dyeing or hand-painting).
 - (c) Dewaxing. (Boiling the fabrics to remove the wax).
2. This exemption shall apply to batik fabrics, and clothing products as described in paragraph 1 above, irrespective of the method of manufacture.
3. The exemption shall apply only in respect of products covered by a certificate issued by the competent Sri Lankan authorities confirming to the specimen attached to this Annex.
4. Such certificates shall indicate the grounds on which the exemption is based and shall be accepted by Canadian authorities provided that they are satisfied that the products concerned conform to the conditions set out in this Annex.

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1. Exporter (name, full address)	CERTIFICATE in regard to Batik Fabrics and clothing items	
3. Importer (name, full address)	4. Country of Origin	5. Country of Destination
6. Place and date of shipment—Means of transport	7. Supplementary details	
8. Marks and numbers—Number and kind of packages - DESCRIPTION OF GOODS	9. Quantity	10. FOB Value

11. Certification by the competent authority

I, the undersigned, certify that the consignment described above includes only the following products of the batik industry of the country shown in Box No.4:

Batik fabrics or clothing items in which the traditional handicraft batik process is used; that is in which the fabric is waxed, dyed or painted, and dewaxed by hand for each of the colours or shades.

12. Competent authority (name, full address, country)

4.

At _____ On _____

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